

Message Text

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ACTION NEA-12

INFO OCT-01 IO-14 ISO-00 SSO-00 CCO-00 NSCE-00 USIE-00

INRE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

ACDA-19 USSS-00 EB-11 COME-00 TRSE-00 OMB-01 DRC-01

/121 W

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R 251424Z OCT 73

FM AMCONSUL JERUSALEM

TO SECSTATE WASHDC 4615

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY TEL AVIV

USMISSION USUN NEW YORK

CONFIDENTIAL JERUSALEM 1205

E.O. 11652: GDS

TAGS: ECON, ELAB, ETRD, IS, JO

SUBJECT: ECONOMIC SITUATION IN JERUSALEM AND WEST BANK

SUMMARY. BUSINESS ACTIVITY IN JERUSALEM HAS DROPPED CONSIDERABLY SINCE WAR BEGAN, WITH TOURISM-RELATED ENTERPRISES PARTICULARLY HARD HIT. MOST HOTELS THAT REMAIN OPEN ARE CLOSE TO EMPTY AND OUTLOOK AMONG HOTEL OWNERS AND TRAVEL AGENCIES IS PESSIMISTIC. FOOD WHOLESALERS AND RETAILERS ARE EXCEPTION TO GENERAL PICTURE, HAVING PROFITED DESPITE REGULATIONS. ARAB WORKERS STILL STAYING AWAY FROM JOBS IN ISRAEL, BUT END OF WAR AND OF RAMADAN COULD CHANGE PICTURE. END SUMMARY

1. TOURIST INDUSTRY HIT EXTREMELY HARD BY WAR. IN EAST JERUSALEM MOST HOTELS ARE EMPTY OR HAVE ONLY A FEW GUESTS. LARGE, LUXURY INTERCONTINENTAL ON MT. OF OLIVES HAD NO GUESTS OCT 24 AND HAS PLACED 75 PERCENT OF EMPLOYEES ON LEAVE. OTHER HOTELS ARE LAYING OFF STAFFS AND AT LEAST FOUR (RITZ, CONFIDENTIAL

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ST. GEORGE, CAPITAL, CHRISTMAS) HAVE CLOSED AND TERMINATED

EMPLOYMENT OF ENTIRE STAFFS. (ONLY TOUR GROUP IN EAST JERUSALEM HOTEL WE KNOW OF IS ONE OF 60 DUE TO ARRIVE OCT 25 FROM OHIO TO BE PRESENT ON MT. OF OLIVES WHEN GABRIEL BLOWS HIS HORN TO SIGNAL END OF WORLD IN NEXT DAY OR TWO.) SITUATION ONLY SLIGHTLY BETTER IN WEST JERUSALEM. RENOWNED KING DAVID HOTEL HAS ABOUT 20 PERCENT OCCUPANCY (40-50 GUESTS MAXIMUM), BUT OTHER HOTELS NEARLY EMPTY.

2. TRAVEL AGENTS, TOUR BUS COMPANIES AND GUIDES ARE VIRTUALLY WITHOUT CUSTOMERS AND SOUVENIR SHOPS HAVE CURTAILED HOURS AND REPORT MANY DAYS WITH NO SALES AT ALL. WITH LIFTING OF BLACKOUT OCT 24 MOST RESTAURANTS IN CITY, CLOSED EVENINGS SINCE BEGINNING OF WAR, ARE EXPECTED TO REOPEN AT LEAST ON LIMITED BASIS. SEEMS CLEAR THOSE LARGELY DEPENDENT ON TOURIST TRADE WILL CONTINUE TO SUFFER, HOWEVER. EAST JERUSALEM HOTELS AND TRAVEL AGENTS CATERING TO CHRISTIAN PILGRIM GROUPS NOW ANTICIPATE SLOW CHRISTMAS SEASON. EVEN WEST JERUSALEM CONTACTS, WHILE HOPING FOR SURGE OF JEWISH TOURISTS FROM US AND EUROPE ONCE FIGHTING DEFINITELY ENDED, SIMILAR TO INFLUX FOLLOWING 1967 WAR, ARE NOT OVERLY OPTIMISTIC.

3. OTHER COMMERCIAL ACTIVITY IN JERUSALEM AND WEST BANK ALSO GENERALLY DOWN SINCE OUTBREAK OF WAR, DUE BOTH TO DROP IN DEMAND AND LABOR SHORTAGE. MAJOR EXCEPTION IS FOOD DEALERS, WHOLESALE AND RETAIL, WHO SEEM TO HAVE PROFITED DESPITE EFFORTS TO REGULATE PRICES, ETC. IMMEDIATE SHORTAGES INDUCED BY SCARE BUYING AND DISTRIBUTION PROBLEMS NOW LARGE ALLEVIATED. FLOUR NOW GENERALLY AVAILABLE AS RESULT GOI-DISTRIBUTION TO ARAB OUTLETS IN EAST JERUSALEM AND WEST BANK. RICE VERY SCARCE (REPORTEDLY ALSO THROUGHOUT ISRAEL SINCE AS NONPERISHABLE ITEM IT POPULAR WITH HOARDERS). EGGS DIFFICULT TO FIND AND EXPENSIVE. OLIVE OIL SCARCE BUT THIS DUE POOR OLIVE CROP, NOT WAR-RELATED. OTHER FOODSTUFFS PLENTIFUL.

4. SALES OF ALL BUT ESSENTIAL ITEMS SUCH AS FOOD AND KEROSENE REPORTED TO BE DOWN THROUGHOUT WEST BANK. EVEN CLOTHING IN GENERAL NOT BEING PURCHASED. WE HAVE ALSO BEEN TOLD THAT MONEY CHANGERS IN EAST JERUSALEM REPORT TRANSACTIONS ONLY CONFIDENTIAL

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5 TO 10 PERCENT OF NORMAL. EFFECTS OF SITUATION IF PROLONGED COULD THEREFORE BE SUBSTANTIAL. FOR TIME BEING, HOWEVER, POPULATION DOES NOT APPEAR TO BE SUFFERING, ALTHOUGH LUTHERAN WORLD FEDERATION HERE HAS RECEIVED ONE REQUEST FOR HELP FOR 83 FAMILIES IN NEED DUE TO LACK OF EMPLOYMENT. (LWF TAKING NO ACTION FOR PRESENT.)

5. EXCEPT FOR HANDFUL, ARABS STILL NOT RETURNING TO JOBS

IN ISRAEL. WE UNDERSTAND FEW CONSTRUCTION PROJECTS IN EAST JERUSALEM HAVE RESUMED AND THAT ARABS WORKING THERE. (EARLIER THEY HAD NOT BEEN WILLING TO WORK FOR JEWISH FIRMS EVEN IN EAST JERUSALEM). IT STILL TOO EARLY TO ASSESS HOW QUICKLY ARABS WILL RESUME EMPLOYMENT IN ISRAEL ONCE FIGHTING OVER. PICTURE HAS BEEN CLOUDED BY FACT WAR TOOOK PLACE DURING RAMADAN, WHICH ENDS TONIGHT. EAST JERUSALEM LABOR EXCHANGE, FOR EXAMPLE, SAYS IT HAS HAD NO REQUEST FOR WORK OR FOR WORKERS THIS MONTH BUT ANTICIPATED NONE UNTIL AFTER RAMADAN. THERE COULD BE SUBSTANTIAL CHANGE IN SITUATION NEXT WEEK, ESPECIALLY IF ARABS' SAVINGS ARE RUNNING OUT.

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